

ORIGINAL

7-



0000008633

**Telecommunications
Resellers Association**

RECEIVED
AZ CORP COMMISSION

APR 5 1 44 PM '99

DOCUMENT CONTROL

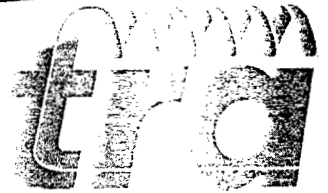
Arizona Corporation Commission

DOCKETED

APR 05 1999

DOCKETED BY

my



Member Survey of Local Competition

April 1998



Telecommunications Resellers Association
1998 Member Survey of Local Competition

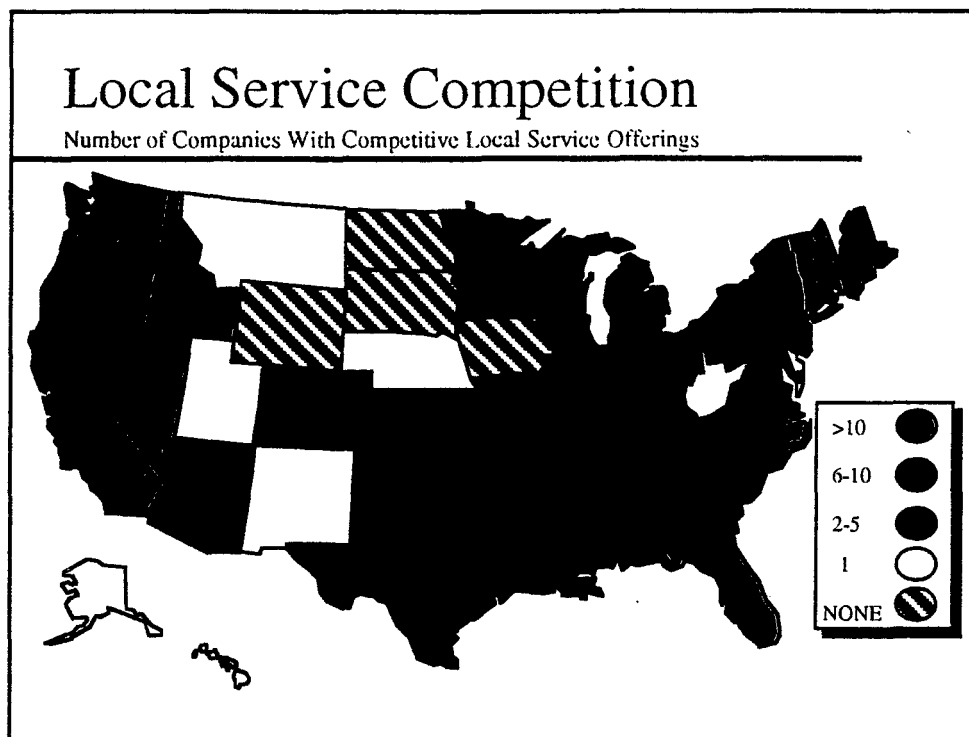
1998 Survey of Local Competition

The Telecommunications Resellers Association is committed to facilitating competition in the local marketplace, particularly through the resale of local exchange services.

Amid all the rhetoric, regulatory rumbles and bizarre court decisions regarding competition in the local marketplace, TRA undertook a survey of its company membership.

The survey is not to prove, or disprove, whether "adequate" levels of competition existed in any particular service category or RBOC territory. The intent is to identify the impact TRA members are having on the competitive landscape and determine what issues impede their ability to effectively and fairly compete in the local market.

While no statistical significance is implied by the results contained herein, it should be noted that the response rate of active TRA company members was in excess of 50% of those who indicated involvement in competitive local service offerings on their 1997 membership application.



Local Service Competition

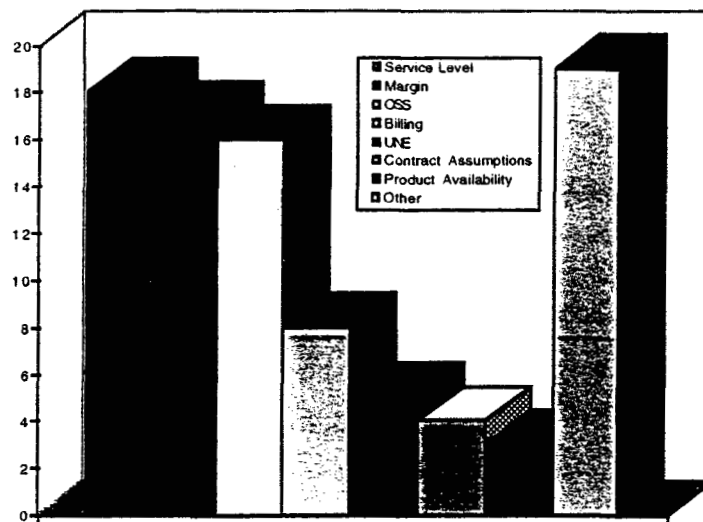
TRA company members are affecting the competitive local landscape throughout the United States. The map above highlights the level of company members activity in competitive local service by state. TRA members are very active in New York and Florida with 16 and 18 agreements in place respectively. North Dakota, South Dakota, Wyoming and Iowa showed no TRA member activity in local service.

Note: The gross number reflected in each state represents the total agreements in place by a CLEC with an RBOC, GTE or another LEC /CLEC within that state. For example, in Florida the 18 represents 11 RBOC agreements, 6 GTE agreements and 1 Sprint agreement. A single TRA company member may have an agreement with all three and will be listed as three.

Corporate Headquarters

TRA members involved in local service offerings are headquartered throughout the United States, although their market presence expands far beyond their corporate backyard.

Impediments to Competition

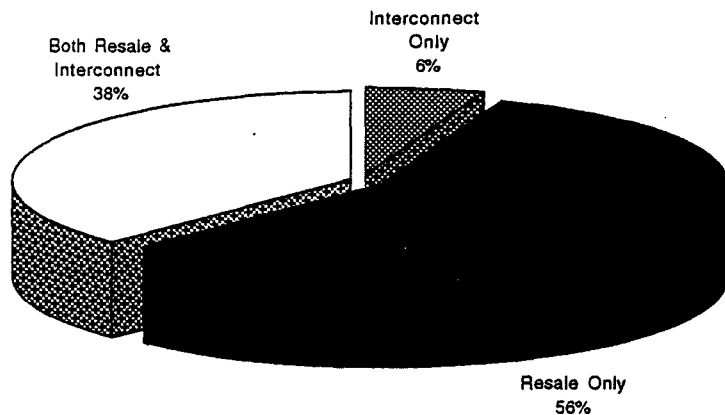


Important Issues

Respondents were asked to list three issues they felt impeded their ability to compete in the local service market. They were not asked to rank in order of importance, therefore each responses was given equal weight. While it may be inferred that those issues listed first were of the most importance, no such significance is given by TRA to the results. However, based upon the frequency of the responses, three major issues come to light;

1. Service levels provided by the ILEC to the CLEC
2. Inadequate discount levels or margins
3. Inadequate Operations Support Systems (OSS)

Local Service Strategy



Local Service Strategy

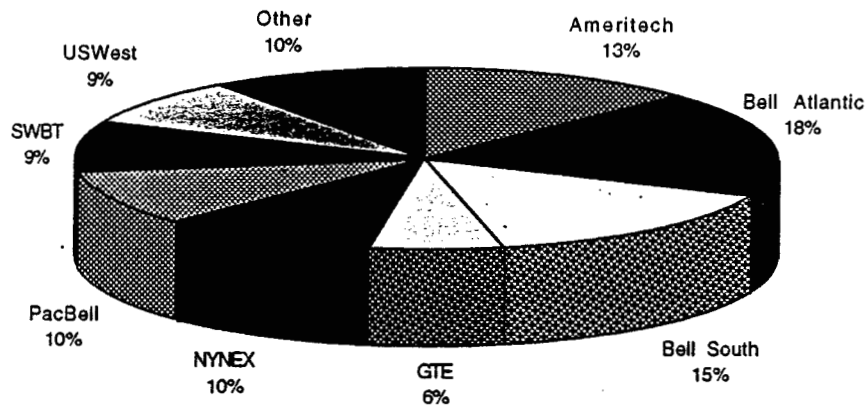
Competition in the local marketplace can be attained through three basic strategies:

1. Total Service Resale
2. Facility Based Interconnection*
3. Combination of Both

In keeping with the nature and focus of TRA, the majority (56%) of company members are involved in Total Service Resale of ILEC services. However, a sizable number utilize a combination Resale/Interconnect strategy to compete in the local marketplace.

** Facility Based Interconnection includes the use of Unbundled Network Elements (UNEs) to serve end users.*

Underlying Carriers



Underlying Local Service Carriers

Utilizing a number of underlying carriers to support their local service activity TRA members have agreements with not only the RBOCs, but also GTE, other LECs and CLECs as well.

Bell Atlantic reflects the highest level of activity 18% followed by BellSouth with 15%.

The 10% other category includes:

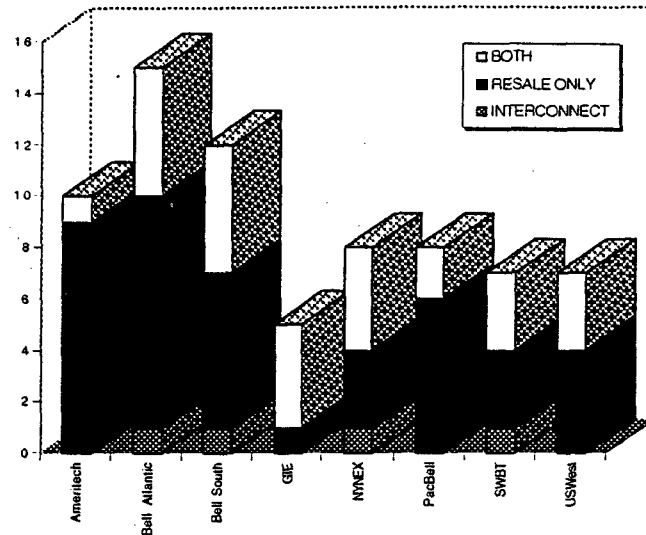
- Local exchange Carriers (LECs):

- Anchorage Telephone
- Nevada Bell
- Sprint United
- SNET

- Competitive Local Exchange Carriers (CLECs);

- Frontier
- TCG
- Winstar

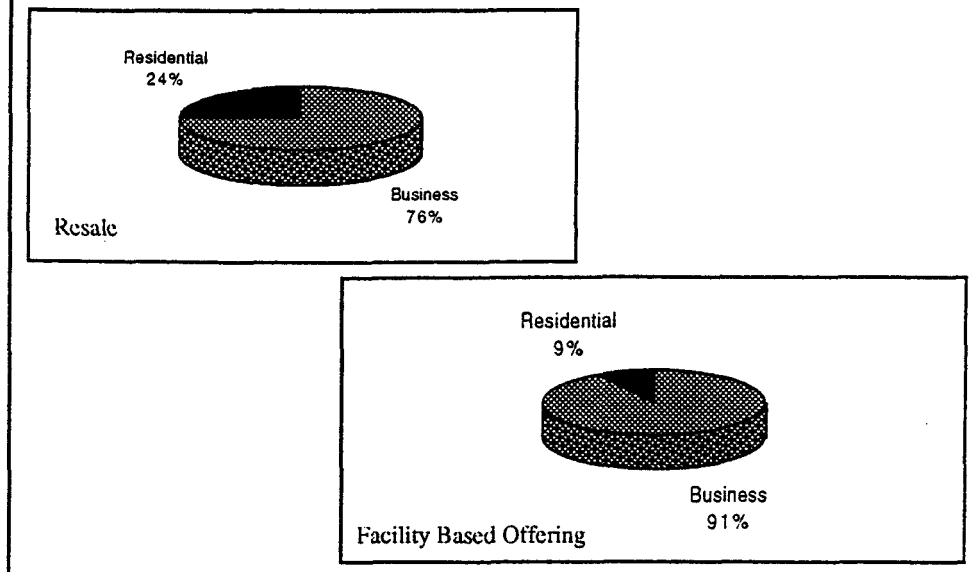
ILEC ARRANGEMENTS



ILEC Arrangements

As stated previously, three main strategies exist for entry into the local market. Total Service Resale, Interconnect or a combination of both. The chart above reflects these arrangements with incumbent carriers. As indicated, Ameritech, GTE, PacBell and US West have no interconnect-only agreements with TRA company members responding to the survey.

Customer Mix



Customer Mix

There exists a marked difference between the business/residential customer mix through a resale strategy, as opposed to a facility based one. It shows that resale is the preferred vehicle for reaching the residential market. This is to be expected because the higher density and revenue volume of business customer is necessary to justify the capital investments needed to build-out the network. Survey results indicated the following gross line activity:

Resale

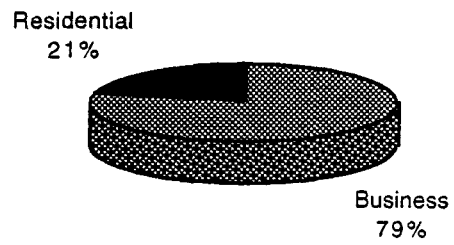
Residential	84,840	access lines
Business	221,500	access lines

Facility Based

Residential	6,000	access lines
Business	43,000	access lines

Combined Customer Mix

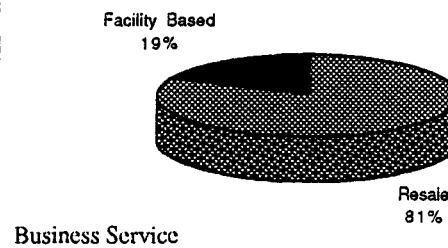
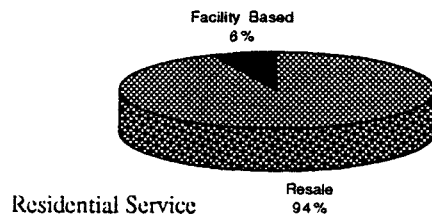
Resale & Facility Based Combined



Combined Customer Mix

As indicated within each strategy, business service penetration is four times as great as residential

Service Offerings



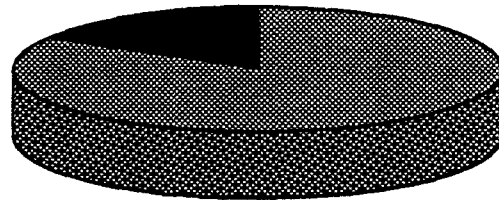
Service Offerings

To further demonstrate the impact of resale in the competitive landscape, 94% of residential and 81% of business customers receiving competitive local service do so through resale.

Combined Service Offerings

Residential & Business service Combined

Facility Based
16%

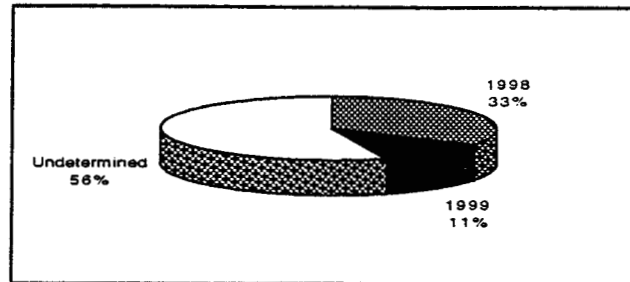
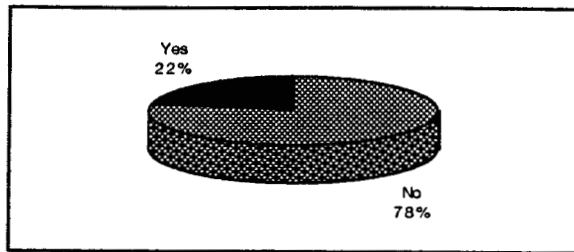


Resale
84%

Combined Service Offerings

Regardless of service type (residential or business) competitive service offerings by TRA members are predominately through a resale strategy.

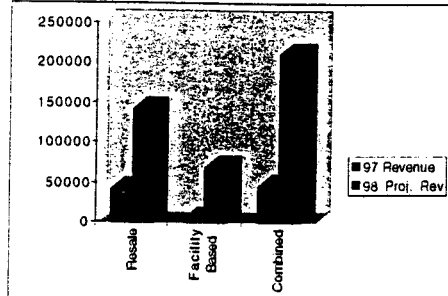
Plans For Switch Deployment



Switch Deployment

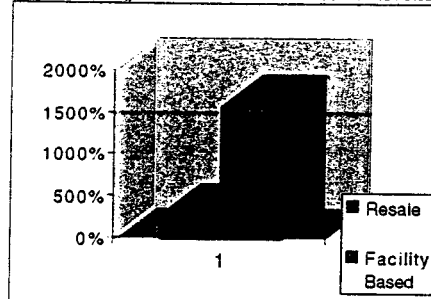
While resale is the predominate strategy, 22% of resale only members indicated future plans for switch deployment. Most had yet to determine the specific time frame for deployment. No determination is made as to whether the company will augment their local resale strategy with the switch, or migrate the entire resold customer base to the switch.

Local Competition Revenue



1997 vs. Projected 1998 Revenue
(in thousands)

1997 to Projected 1998 % Increase in Revenue



Local Competition Revenue

Resale revenue is projected to maintain the lead in 1998 in terms of gross dollar revenue, however facility based revenue is expected to grow exponentially over 1997, indicating an aggressive push towards facility based competition.